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ABSTRACT

The role of further education (FE) colleges in England and Wales was examined through a survey mailed to a representative sample of 478 of the United Kingdom's 622 FE colleges. Questionnaires were returned by 102 (21%) of the colleges. Data were also collected through seminars, conferences and consultation meetings, cases studies, and a best practice analysis. The study confirmed that FE is already making significant contributions to economic development by assuming the following roles: stakeholder (where FE colleges express, either individually or collectively, their own economy power as employers, purchasers, tenants, contractors, developers, and corporate citizens); service provider (where FE provides services directly to people, businesses, and other organizations); and strategic partner (where FE colleges contribute to the leadership and coordination of economic development efforts at local, regional, and national levels through civic commitment, partnership boards, and planning and interagency liaison). Economic development was seen as the wider ambition for all FE activity, and FE's relations with businesses and the disadvantaged were considered a critical dimension of FE. External funding and Further Education Funding Council flexibility were identified as critical resource issues. (The survey questionnaire and a list of participating colleges are appended. The bibliography contains 21 references.) (MN)

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FEDA Further Education Development Agency

Investing partners:

further education, economic development and regional policy

Simon James and Greg Clark

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strategic research

Furthering Local Economies

FEDA Further Education Development Agency

Investing partners:

further education, economic development and regional policy

Simon James and Greg Clark

Foreword by Richard Caborn, MP

report

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Contents

Foreword by Richard Caborn, MP
Minister for the Regions, Regeneration and Planning 5

Summary 7

1 **Introduction:** Locating FE's role in economic development 11

2 **FE and economic development** 27

3 **Unlocking the potential** 45

4 **Conclusions** 63

Appendices:
1 Survey questionnaire 76
2 Participating colleges 85

Bibliography 89

Acronyms 91

Foreword

Richard Caborn, MP

The Government recognises the key role played by the more than 500 further education colleges in England and Wales in regional economic development and looks to see this role continue and expand in the future. However, FE colleges, although important players, are not the only ones. It is vital that the FE sector works closely in partnership with higher education and with Training and Enterprise Councils and local authorities, each recognising the strength that the other brings to the strategic development of our regions.

The research which the Further Education Development Agency is publishing makes an important contribution to helping all of us understand the wide range of involvement that FE has in its local and regional communities and, more than that, its potential role for the future.

I believe that this publication makes a helpful contribution to the important debates currently underway about education and economic development.

Richard Caborn, MP
Minister for the Regions, Regeneration and Planning

Summary

This report provides the first detailed analysis of the roles of further education colleges in economic development in England and Wales. This analysis coincides with the start of a new government bringing a fresh prescription for economic development, employment and skills. The report therefore provides an opportunity for a fresh look at FE colleges, to help understand what they have achieved since incorporation in 1993, and what they are capable of becoming in the new era.

Underpinning the report is an appreciation of the dynamics of the 'new economy', where global competition, advanced knowledge-based enterprises, and modern communications and information technology are dominant drivers of change. The report argues that these phenomena have occasioned an increasing importance for regions and localities as arenas of competitive struggles for economic opportunity.

The further education sector comprises 622 local and regional organisations in England and Wales with a locus in every district and municipality. They are a base from which a comprehensive higher education system could grow, and with which a knowledge-based business support function could be created alongside a University for Industry. The further education sector represents the major source of the advanced skills programmes that regional development strategies will require.

The roles of further education colleges in economic development have three main dimensions:

- **stakeholder roles**, where FE colleges individually or collectively express their own economic power as employers, purchasers, tenants, contractors, landowners, developers, neighbours and corporate citizens
- **service provider roles**, where FE provides services directly to people, businesses and other organisations, assisting the economic development process in terms of skills, knowledge, qualifications, employment, profitability, modernisation, transfer of know-how, linkages, analyses and innovations
- **strategic partner roles**, where FE colleges individually and collectively contribute to the leadership and co-ordination of economic development efforts at local, regional, or national levels, through civic commitment, partnership boards, planning and inter-agency liaison.

Our investigation into the role of FE colleges in economic development incorporated a national survey, seminars, conferences and consultation meetings, case studies and best practice analysis. The findings are structured in key sections covering:

- **Introduction:**
  Locating FE's role in economic development: recent themes
- **FE and economic development:**
  A national picture
  Roles and contributions investigated
  Funding the economic development activities of FE
  FE, economic development and partnership
- **Unlocking the potential:**
  Emerging roles and expanding activities
  Measuring the economic impact and development potential of FE
  Regional economies and further education
  Partners' perspectives

- **Conclusions:**
  Critical issues for FE colleges
  FE and new economic development policies
  Questions for the future
  Conclusions and recommendations.

FE's current contribution

The report highlights the major contribution that colleges are already making to:

- skills, especially aiding the labour force, including the unemployed, to acquire higher levels of skill
- employment, especially helping the unemployed to access jobs, and contributing to in-company human resources development activity
- small firms, including consultancy, staff and management training, business growth programmes, and networking activities
- technology, especially applying innovation and training in the usages and transfers of new technologies
- leisure, tourism and cultural industries, especially providing training in these fields of employment, often linked to college-based sites and facilities
- urban regeneration, including employment and enterprise initiatives within regeneration areas and community development activity
- business retention, especially consultancy and training to help firms remain competitive and retain jobs
- inward investment, especially as part of the 'landing net' and after-care services
- productivity, including applications of new processes and technologies
- economic expansion, especially providing support to new industries and companies

- town centres, especially providing services integrated with other town centre agencies.

The emerging roles of colleges are analysed, in particular the work colleges undertake with businesses.

Conclusion

FE colleges already play significant roles in economic development. These roles vary between regions and localities, and between types of colleges. The report stresses the importance of collaboration between FE colleges and other agencies at local and regional level, and highlights the problems caused by the separation of structures for funding FE from the funding arrangements for other agencies engaged in economic development.

1 Chapter

Introduction

Since the incorporation of FE colleges under the Further and Higher Education Act of 1992, a wide variety of local arrangements has evolved through which colleges express their interdependence with the local and regional economies which they serve and seek to enhance. They do so within the context of two particular related developments which have come to be known as the 'knowledge economy' and the 'global economy'.

The *knowledge economy* refers to a range of changes in the content of economic activity, represented most starkly by the decline of manufacturing industries and the rise of information and related service industries. Changes in production processes, and the labour intensiveness of many other forms of work have also contributed to a significant decline in unskilled, semi-skilled and manual work. These factors put a much greater focus on *knowledge* and *education* as key components of competitiveness. (For a further discussion of these issues see Castells 1989.)

Globalisation of markets, trade, investment and production has contributed significantly to the emergence of the knowledge economy. Cheaper labour costs in developing countries have pulled manufacturing away from the West, while advanced communication technologies have enabled transactions to take place anywhere in the world, greatly enhancing the 'openness' of markets to emerging economies. The effect of

these factors, supported by worldwide trade agreements such as GATT (the General Agreement on Tariffs and Trade) have come to be known as the *global economy* (Amin and Thrift 1994; Sassen 1993).

The knowledge economy and the global economy both continue to evolve, with diverse local and regional manifestations. The Labour government's fresh prescriptions for local and regional development recognise the challenging context of a shift towards global competition between regions, and local economies whose prosperity depends on a wider range of local factors and conditions (Millan 1997; Henley 1996).

A review of the contribution of further education colleges to economic development is timely. The diversity of their responses to the new economy has not yet been systematically described or assessed. The act of incorporation of FE colleges was itself a radical aspect of the previous government's agenda; the new government may want to analyse the impact of incorporation more fully.

FE colleges in the national framework

Further education colleges are funded in England and Wales through their respective Further Education Funding Councils (FEFC and FEFCW). In England, FEFC operates regional offices on a somewhat different map from those of the Regional Offices of government and other divisions of the DfEE. The FEFC is a council of the DfEE, and ministerial responsibility for further education rests with the Secretary of State for Education and Employment. Colleges funded through this system include further education colleges, sixth form colleges, tertiary colleges, agricultural colleges, residential adult colleges, art colleges, and some community colleges.

In England and Wales these colleges number 622. Their annual budget is now above £3.2 billion and they employ more than 200,000 full-time equivalent staff. Each year, more than three and a half million learners use their services. Of the nearly £12 billion that the government spends on enterprise development, employment, regeneration, and vocational education and training, nearly 30% is spent in the FE sector.

The rich diversity within the single administrative sector is a great strength, but it can create difficulties in articulating simple messages about its impacts, including its roles in economic development. Despite some mergers of colleges, there is at least one college serving every municipality, town centre, and district in Britain. Further education is well placed, therefore, to be the infrastructure upon which a comprehensive expansion of educational and vocational opportunity for a diverse populace grows. It also provides the base of the human resource development (HRD) and strategic support services for a wide range of industries and enterprises, especially smaller companies.

Government Offices in the Regions

The Government Offices (GORs) were launched in 1994. They were an integral part of the legislative programme that established the Single Regeneration Budget (SRB), City Pride, and a new cabinet sub-committee on economic development and regeneration. In the first phase, GORs integrated at regional level the offices of four departments of state: Employment, Trade and Industry, Environment, and Transport. The Home Office and Education Departments had important liaison roles. Since the integration of Education and Employment at national level, and now Environment and Transport, the GORs have reporting lines into three cabinet members.

One aspect of the discussion about the current government's approach to regional development is the extent to which the GORs themselves may be reinvented. Some GOR regions differ from FEFC regions, and the FEFC has remained outside of the GORs. The GORs are the conduit for government funding for most economic development activity (Mawson 1995).

The emergence of local and regional development

Enormous changes in the structure of the British economy, and the economic fortunes of industries, regions, and communities in the past 20 years have led to a more uncertain and exciting world. Economic opportunity is neither guaranteed nor publicly provided. Instead, a very wide range of ini-

tiatives has evolved at the national, regional, and local level to capture and embed economic opportunities and benefits for specific regions and localities. These might arise from new business activities, new trading relationships, advanced technologies, supply chains and value chains with many sub-contractors, and new indigenous and inward investment.

These aspects were reviewed in FEDA's recent *Viewpoint* 'Furthering Local Economies', which described how local and regional organisations have, in partnership with central government and the European Union, increasingly begun to focus their efforts explicitly on local and regional economic development. Such organisations include local government, Training and Enterprise Councils, Government Offices for the Regions, urban development corporations, chambers of commerce, regional development organisations, voluntary organisations, some universities, and FE colleges (see Robson 1994).

Many such locally-based organisations have focused as well on creating ladders of opportunity for communities and areas which have fared worst in the economic and demographic restructuring. They aim to connect people with the wider economic opportunities created by the economic cycle and development efforts outside their neighbourhoods. Whether through employment and training initiatives, supply chain development, regeneration projects, or small business growth, these are the 'bottom-up' aspects to economic development (European Commission 1997).

Competitive regions and localities

The onset of a more internationally-integrated and 'globalised' economy, coupled with a quantum leap forward in information and communication technologies, has paradoxically placed enormous importance upon the notion of 'locality'. Place, proximity, and community all matter more now than ever. In economic development terms, the competitiveness and attractiveness of any location (including its existing prosperity and quality of life, labour force, natural resources, infrastructure, and access to suppliers and customers) is critical to success. A global competition for economic opportunity between places is a reality, and FE colleges – as local and regional entities – are part of it.

This competition has local, regional, and national manifestations. However, the true arena of competition is the economic region. This is the geographic area that most closely provides a coherent, serviceable market for labour, property and housing, investment capital, business services, banking, utilities, culture, leisure, retail, health care and education. Such regions are identified by the distinctive characteristics of their economies and geography (Ohmae 1996).

It is the competition between economic regions, rather than nation states, which has felt the most marked impact of the global economy. For this reason, the local and regional economic development efforts have significantly expanded. The EU emphasis on a 'Europe of the Regions', the re-emergence of regional development policy in the new British government, and the closer networking of FE colleges regionally all reflect this trend.

Competition to attract business 'investment' also exists between localities within a single region, but this is widely interpreted as a 'zero sum' waste of resources in purely economic terms. Collaboration within regions to become more competitive is seen as crucial. Co-operation between regions has become a significant feature of the response to the new economy. This has had many successes in enhancing competitiveness, and reducing the negative aspects of competition. Competitiveness at regional level, and competition between local agencies for public and private investment, are not the same thing. The new government's priorities are with the former.

Assessing FE's contribution

In this broad context we set out to assess the distinctive contribution that FE colleges make to economic development, and to form an opinion about how, in collaboration with others, they might best strengthen their overall role and impact. Behind our objective was some anecdotal wisdom that FE college efforts were not yet being optimised. In some cases, FE colleges were not always seen as 'players' in appropriate ways. During our investigation, we paraphrased this as 'the economic development party to which FE was not invited'.

In reviewing the anecdotal evidence, survey results and case studies, this theme took on an international perspective. Compared to the strong and well-established economic development and regeneration roles of American community colleges, and Australia's TAFE (technical and FE) colleges, FE in England and Wales had little recognition for its contribution to the local and regional economy. We needed to know why. (See Cisneros 1996.)

Our investigation was not undertaken in isolation. There was a rich backdrop of related analysis and research from which we could draw to 'place' our research. Within the FE sector this included a wide range of work on how colleges have worked with employers and businesses of every kind, and collaborations with Training and Enterprise Councils (TECs). The Kennedy Commission on widening access and participation in FE reported in July 1997, just as we completed our field work, as did the Dearing Committee on the funding and expansion of higher education.

The wider context

Outside of the FE sector, in May 1996 the Rt Hon John Prescott, MP had received the *Renewing the Regions* report from the Regional Policy Commission. It strongly recommended regional development agencies (RDAs) and regional skills agencies for England, to build on the success of the Welsh Development Agency and Scottish Enterprise. The Labour government published its broad outline proposals for a 'New Deal' for young and long-term unemployed people, and broad proposals were published for a University for Industry (Hillman, 1996). In addition, the European Commission had recently published proposals on new job creation potential of local development initiatives. It advanced policies for Local Employment Pacts and implementation of Objective 4 programmes in the UK, addressing the need for adaptation of the workforce to industrial and economic change.The initial proposal to create both regional development and regional skills agencies in England has now been rationalised into a single proposal for RDAs, with a role to link with TECs and FEFC on issues of skills development. (See European Commission 1995.)

Further education colleges have three distinct, interconnected roles in economic development. They are *service providers*, *stakeholders*, and *strategic partners*. This view has informed our investigation and underscores many of our findings.

The Millan Commission

In 1995 John Prescott asked former European Commissioner Bruce Millan to chair a commission on regional policy for England. The Commission's report, *Renewing the Regions*, was published in May 1997. The report presents the first comprehensive assessment of the role of publicly-funded economic development initiatives in England. It questions whether the £11 billion it estimates are currently allocated to economic development initiatives could be better spent. The report plots a path to answering this question and covers:

- regional disparities
- regional development agencies
- regional industrial policy
- regional regeneration policy
- European Union funding
- government and the regions
- regional economic strategies
- developing human resources
- creating real jobs
- business support for SMEs (small to medium-sized enterprises)
- local enterprise and development
- research and development
- the information society
- environment and sustainable development
- funding for economic regeneration.

A major recommendation of the Millan report was the establishment of regional development agencies, now in train, and of regional strategies for the economy and for skills. The Millan Commission considered the

position of FE colleges, seeing them as an important part of the regional picture, but did not recommend, at that point, the integration of FEFC into the new regional development agencies.

Furthering Local Economies programme

FEDA's Furthering Local Economies programme has a number of dimensions.

- A series of seminars explored the roles of colleges in inward investment, and the roles of FE in local and regional economic strategies.
- FEDA staff, and others associated with the programme, have contributed to a wide range of events and meetings and received detailed feedback about this research.
- A core aspect of our research has been a national survey of FE colleges on their roles in economic development, the results of which form the basis of this report.
- Alongside this research have been a series of consultation events, including a national 'expert seminar' with representatives of many other agencies and sectors. Their views on FE college's strengths and weaknesses were fed into the process.
- A series of more local best practice case studies have been prepared, identifying some of the excellent practice at the local and regional level where FE colleges are playing a central role.

This report should be read in conjunction with our good practice guide, the report on our regional seminars, and our collection of commissioned articles (to be published December 1997) which seeks to explore some of the thematic issues and wider perspectives on English and Welsh FE in economic development.

The authors are also fully aware that, with some notable exceptions, this research represents the perspective of FE colleges themselves. It should, therefore, be seen as an interim report. The next phases of the research will

gather the perspectives of a wider range of partners to inform this continuing debate. Work also has begun to develop an audit and planning tool to help colleges assess and develop their role in this important policy area.

Locating FE's role in economic development: recent themes

FE in the economic development system

Throughout our investigation we have worked with a very flexible definition of economic development. This has been important because our primary purpose was to investigate the range of ways in which it was being interpreted by colleges and their partners. Our working definition is:

> *Economic development is . . .*
>
> *The range of activities deliberately pursued at the local, regional, or national level with the intention of improving the growth and distribution of economic opportunity, and the capacity to enhance it, for individuals, enterprises, and industries within defined geographical areas, communities, and sectors.*

To locate FE's roles we considered a number of features of the economic development system in the UK, as it has evolved over the past 20 years. Some key themes proved to be central to our investigation. They are summarised under the following headings.

Wide range of activity

A broad array of objectives and activities is included under terms such as 'economic development' or 'regeneration'. There are very different understandings of what these terms mean and, implicitly, who is responsible for what actions. Much of the discussion about roles in economic development

is limited to definition and redefinition of terms. It is generally more helpful to be specific about roles, contributions and actions. FE colleges have had to contend with this, as have other bodies (Robson 1994).

Regional and local variations

Regional and local economic circumstances play a large part in shaping the main strategies and actions, and quite properly lead to varying approaches in different places. In some parts of the country, inward investment and industrial development are the leading components of economic development. In others, urban regeneration is a key focus. Elsewhere, environmental enhancement, skills development, enterprise development or town centre management are central. No single prescription for FE college involvement can be applied nationally.

Process rather than impact

Among the many distinctions drawn between different approaches to economic development, there is a particular disjuncture between process and impact. One dimension is the focus on projects, programmes and processes: the managerial and technical side of economic development activity operationally. Another dimension is the impact in terms of private enterprise activity in employing, purchasing, developing, relocating, improving productivity and profitability.

In part, this reflects distinctions between public and private benefit. However, on a more general level, there is often confusion between process and outcomes. Some people define economic development as the process and the input of participants; others define it in terms of tangible results.

One goal of any organisation working in economic development (including FE) must be to become much more precise about the outcomes sought, and the relevance of the particular processes employed.

Private sector leadership and participation

The private sector is central to achieving the meaningful *outcomes* of economic development, such as jobs, incomes, taxes, profits, and area regeneration. However, there is enormous difficulty in engaging private sector participation in many aspects of the *processes*, especially the preliminary or preparatory work. This reflects a wider issue about market forces and market failure: the role of public intervention is to address weaknesses which impact negatively on communities, localities, individuals, and firms; but its role is not to seek to replace the market with a permanent public subsidy. This is difficult to achieve because markets are unpredictable. Public investment may thus be wasted if the incentives offered to the private sector are not sufficiently attractive to ensure their participation. For FE colleges, as for all other players, this presents a problem about how and when to target and work with the wide range of private sector players.

Separation of HRD from LED and RED

One very broad issue which has arisen throughout our investigation concerns the separation of the human resources side of economic development from related activities, such as LED and RED (local and regional economic development, respectively), regeneration, financing tools, promotion, and infrastructure.

- At an administrative level, this separation is enshrined by different agencies having responsibility for at least some aspects of economic development activity regionally: FEFC and HEFC are separate from DfEE, DTI, and DETR nationally; FEFC regionally are separate from GORs and TECs; locally FE colleges are separate from local authorities, and so forth.
- At an operational level, the separation is reinforced by performance indicators and targets which do not correspond to those of other public investments and programmes.
- At a policy level, this has led to a sporadic focus on the people and skills aspects of regeneration and economic development. This is despite the fact that skills are seen as the critical factor in inward investment deci-

sions; despite the fact that labour markets must be addressed comprehensively; and despite the fact that job access is the only way to achieve sustainable regeneration in poorer communities. This tends to mean that much of the mainstream activity of FE colleges is not well linked into wider efforts. Nor is its importance properly recognised at a national level.

Fragmentation and duplication

Because economic development at local, regional, or national level will always require a wide range of resources (such as land, property, finance, transport, skills, services), there will always be some fragmentation. However, the recent evolution of the UK economic development system has generated considerable fragmentation of itself. With the system's complexity and its poor infrastructure, this has led to duplication of the products and services on offer. In part, this is due to competitive systems of resource allocation and lack of co-ordination between and within central government departments.

In effect, fragmentation begins within a fragmented demand at government level, leading to fragmented supply of economic development services by an ever-widening range of agencies.

Partnerships rather than agencies

One helpful response to these problems has been the emergence of partnership-based approaches to economic development, where the relevant organisations work together on a co-ordinated programme of activity. This approach has been especially helpful in small and medium-sized towns, where the scale of activities makes such partnerships manageable and efficient. However, in more densely populated urban and metropolitan areas, and in rural areas, such partnerships have often proved extremely unwieldy and cumbersome, and often have not achieved the necessary comprehensiveness, resulting in further duplication. In these areas, further education colleges may have become circumspect about what such partnerships can really achieve.

Funding led

Much economic development activity has been funding led. It has relied considerably on additional resources from outside (often from central government or EU) and tended to become over-programmed around funding regimes rather than economic objectives. Equally, non-cash-subsidy resources – whether existing activity, assets, or buying power – have not been seen widely as effective tools for economic development. This remains a challenge for all agencies engaged with economic development, including further education.

Governance and economic development

The array of markets that make up any regional economy are complex. They include housing, investment capital, industrial properties, and labour (in various occupations and at levels of skill). It is, therefore, highly unlikely that there will ever be neat fits between governance jurisdictions and local or regional economies. This impacts considerably on all aspects of the economic development system, making leadership difficult, and limiting the usefulness of 'regulation'. In this context, further education needs to pay particular attention to relationships within its sector, especially at the regional level, to maximise the opportunities for co-operative specialisation, rather than trying comprehensively to serve a mythical 'insulated local economy'.

Long term perspectives

It is a truism to suggest that local and regional economic development are long-term processes, linked to economic cycles, which can reap tangible rewards only over periods of 10 to 25 years. Economic development systems evolve and change at faster rates according to public policy cycles. In this context, FE colleges and others must plan for the longer term at the local and regional level to ensure continuity of approach and activity.

FE incorporation and economic development

Incorporation of the colleges in 1993, following the White Paper on further and higher education in 1991 and the FHE Act of 1992, coincided roughly with other factors within the overall economic development system. These included:

- the establishment of Training and Enterprise Councils, beginning in 1990
- the development of the enterprise role of TECs (through their contracts with DTI in 1993)
- the establishment of the Government Office for the Regions and the Single Regeneration Budget (in 1994)
- the consolidation of the new universities (1992–94)
- the initiation of the Business Links proposals (1994)
- the redrafting of the UK and EU Assisted Areas map to include a wider range of UK regions (1993–94)
- the development of the full national network of regional development organisations (RDOs) by the Invest in Britain Bureau to support inward investment in England (1993–95).

During the period, in effect, the whole system for economic development was reconfigured.

Incorporation gave individual FE colleges more flexibility to apply their resources and assets to local and regional economic issues. This flexibility has resulted in a diversity of approaches adopted by FE colleges in accordance with their local and regional environments. However, this took place during a period of dynamic change, when many agencies involved in economic development activity attempted to assert new roles and programmes, or to consolidate their own position in relation to other, often newer, parts of the system.

Many organisations with which FE colleges have sought to collaborate on economic development are relatively new. Some of them represent the first serious attempt by a British government to create a national infrastructure for economic development. In this context there has been little policy guidance on how FE is 'supposed' to work with such agencies, and few real efforts to provide a cohesive framework.

Equally, there has been a political facet to economic development, especially between local and central government between 1993 and 1997. As the last government sought to establish the economic development infrastructure, it adopted an independent 'council' or 'corporation' model, placing public resources under the control of boards of civic leaders. These usually had a majority from the private sector, and were often nominated or appointed through the relevant Whitehall departments, bypassing local government processes to establish local and regional leadership.

This led many local government leaders to see their role as inappropriately limited and constrained (reinforced by legislation such as the 1989 Local Government and Housing Act), in favour of a QUANGO-based system for managing economic development. While local government maintained a economic development role in terms of planning and leading local regeneration efforts, land use, local business environments, property development, education, housing, and transport and so forth, it was often cut off from the flow of central government funds for economic development. As a result, EU funding became an important source of revenue for local and regional development.

The role that FE colleges have been able to play with local government on economic development has been partly constrained by these factors. FE college incorporation may have had negative consequences on its relationships with some of the main agents in economic development, despite providing an operational flexibility to address local economic action. In the context of current government's objective to reinvigorate local democracy this is therefore a key issue for FE colleges wishing to expand their local and regional development roles.

2 chapter

FE and economic development

A national picture

FEDA's survey of FE sector colleges has been a major component of our research to identify more clearly what colleges are actually contributing in a practical way to local and regional economic development.

The survey was undertaken in May and June 1997. There are 102 colleges in the sample, from a total of 478 questionnaires sent. Due to the sector's diversity, the survey may have seemed less applicable to recipients in some types of college (such as art colleges and smaller sixth form colleges undertaking mostly A-level work), and this may have affected the pattern of survey returns. The respondents include:

60	**FE colleges**
20	**tertiary colleges**
7	**agricultural colleges**
15	**sixth form colleges**
0	**art colleges**

The sample colleges identified their local economic environments as follows:

22	urban inner city
17	urban town centre
20	suburban
21	rural
11	industrial
4	coastal
(7	nil return)

Location has proved to be an interesting factor in the analysis of the roles that colleges and other agencies have played, depending on the immediate economic environment.

We were also interested in how colleges in each region responded to the range of questions. We anticipated some regional differences in economic development activity, priorities and opportunities for colleges, and knew that these would be important. The regional profile was as follows:

Number of colleges surveyed by FEFC region

Greater London	13
East	8
South East	14
South West	13
Yorkshire & Humberside	12
West Midlands	11
East Midlands	8
North	5
North West	13
Wales	5

The feel good factor

An important background factor was the colleges' perception of how their local economy was doing relative to recent trends. The survey took place immediately after the General Election and during a long period of sustained growth and consumer spending. The strong pound meant considerable problems for export-dependent industries. We wanted to assess some of the wider links between FE 'confidence' and 'the feel good factor' more broadly. The colleges surveyed reported their perceptions as follows:

College perceptions of local economy

89% saw local business base as stable or growing
85% saw new companies staying or being attracted
89% saw new local business start ups growing or staying stable
86% saw local job creation as stable or growing
91% saw unemployment as stable or reducing
85% saw population as stable or growing
94% saw FE as stable or growing

Against this backdrop, we asked the colleges to give us their perceptions of the roles of other local agencies in economic development, and to assess their activity broadly alongside that of FE colleges. The figures below represent the scores of the 102 colleges for 'active' and 'very active' participation in economic development programmes.

College perceptions of local agency roles in economic development

	Active	Very Active	Total
Local government	44	29	73
TECs	52	16	68
Voluntary sector	15	1	16
GORs	32	1	33
RDOs	12	3	15
HEIs	30	5	35
Chambers	40	3	43
Business associations	23	15	38
Business Links	29	4	33
Enterprise agencies/boards	16	6	22
Schools	10	6	16
Banks	20	5	25
Utility companies	11	2	13
Housing organisations	15	11	26
FE colleges	43	13	56

Colleges' views of who does what in economic development terms offers few surprises:

- Colleges see local authorities and TECs as the most active players.
- Colleges see universities, chambers of commerce, business associations, and the FE sector itself as the second string players with Business Links and Government Offices as next in line.
- They give generally low scores for voluntary and community organisations, banks, utility companies, and regional development organisations.

These comments imply a particular view of economic development, rather than a strict analysis of real activity. For example, in most regions in Britain there is a regional development organisation (RDO) financed through the IBB (Invest in Britain Bureau). These organisations are the statutory bodies that promote the regions for inward investment, and therefore effectively have a specialised monopoly mandate. Equally, voluntary and community-based organisations are the only agencies involved with very local community economic development, social regeneration, community enterprise, and so on.

Banks are quite obviously the major financiers of small business development, and utility companies the major implementers of infrastructure improvements. It is probably safe to conclude that such activity is either largely invisible to FE colleges, or not perceived to be part of the economic development effort per se.

Some important environmental and regional variations emerge from these perceptions. For example, colleges from inner city areas rate local authorities considerably higher than TECs as the most active agents in economic development. They scored universities very much higher, along with enterprise agencies. Colleges in urban town centres scored chambers significantly higher than other colleges. Rural colleges found TECs to be by far the most active players. In suburban areas the Business Links and enterprise agencies scored more highly.

Beneath these results lurk wider trends which reflect different approaches to economic development in those areas. Collating the same answers regionally also provides some interesting results. In each case local authorities and TECs are still seen as the most active organisations in economic development. These might be summarised as follows:

Regional differences: perceptions of players' activity

North West (including Merseyside)	FE and chambers more active. TECs and universities less active.
North	Government Office, RDO, and Business Link more active.
Yorkshire & Humberside	FE more active.
East Midlands	FE and business organisations more active.
West Midlands	Universities and chambers more active.
South East	Sub-sample too small.
East	TECs more active. Universities less active.
South West	FE and Business Links more active. Universities less active.
Greater London	Universities, chambers and FE more active.
Wales	Enterprise agencies and FE more active. HE, chambers and government less active.

The conclusion here is that while local authorities and TECs are seen as the principal players, in terms of FE perceptions, the main second-string operators vary quite considerably from one region to another. We set out some conclusions about regional variations below.

Roles and contributions

The actual roles of further education colleges in respect of economic development activity are assessed in three broad categories:

- **Service Provider:** further education provides services directly to people, businesses, and other organisations which assist the economic development process in terms of skills, knowledge, qualifications, employment, profitability, modernisation, transfer of know-how, linkages, analyses and innovations.
- **Stakeholder:** further education colleges, individually or collectively, express their own economic power as employers, purchasers, tenants, contractors, landowners, developers, neighbours and corporate citizens.
- **Strategic Partner:** further education colleges individually and collectively contribute to the leadership and co-ordination of economic development efforts at local, regional, or national levels, through civic commitment, partnership boards, planning, and inter-agency liaison.

Servicing the economic development process

We asked all the colleges in our sample to identify the kinds of activity that presented opportunities for the most active FE involvement in the economic development process. The results for the 'active' and 'very active' scoring are set out below:

Opportunities for active FE involvement

	active	very active
Expand economic opportunities	42	5
Redistribute economic opportunities	15	2
Manage economic growth	12	1
Productivity and efficiency	26	6
Conserve natural environment	14	2
Inward investment promotion and settlement	21	3
Retention of existing business base	26	1
Regenerate urban areas	29	11
Town centre improvements/management	23	3
Reclamation of derelict/disused sites	10	2
Improve quality of housing	5	2
Improve business environment	25	2
Increase tourism, leisure, and cultural activity	41	8
Manufacturing and assembly expansion	9	3
Supply chain development	10	2
Technology and Innovation	39	9
Diversify industrial structure	13	9
Employment development	26	7
Improve skills base of local labour force	37	46
Temporary or subsidised employment programmes	21	11
Improve HRD investment by local firms	28	6
Help unemployed to access jobs	33	39
Small business growth and development	39	15
Increase supply of finance for businesses	2	2
Increase supply of premises for businesses	2	5

These indicate quite clearly FE colleges' key roles in serving the economic development process. The main areas are:

- *skills*, especially aiding the labour force, including the unemployed, to acquire higher levels of skill

- *employment*, especially helping the unemployed to access jobs, and contributing to in-company human resources development activity
- *small firms*, including consultancy, staff and management training, business growth programmes, and networking activities
- *technology*, especially applying innovation and training in the use and transfer of new technologies
- *leisure, tourism and cultural industries*, especially providing training in these fields of employment, often linked to college-based sites and facilities
- *urban regeneration*, including employment and enterprise initiatives within regeneration areas and community development activity
- *business retention*, especially consultancy and training to help firms remain competitive and preserve jobs
- *inward investment*, especially being part of the 'landing net' and after care services
- *productivity*, including application of new processes and technologies
- *economic expansion*, especially support to new industries and companies
- *town centres*, especially services integrated with other town centre agencies.

These activities, summarised from our survey, were borne out through the period of investigation as the major service roles of FE. The main regional variations are summarised as follows:

Regional variations: colleges' key roles

North West (including Merseyside)	More emphasis on technology, innovation, productivity and efficiency.
North	No obvious differences from national trends.
Yorkshire & Humberside	No obvious differences from national trends.
East Midlands	Strong emphasis on urban regeneration and on cultural and temporary employment programmes.
West Midlands	Strong emphasis on urban regeneration and temporary employment programmes.
South East	Sub-sample too small.
East	Strong emphasis on HRD investment by local firms, small business development, and helping the unemployed to enter the labour market.
South West	Strong emphasis on helping the unemployed to enter work, small firms development, and enhancing regional productivity.
Greater London	Emphasis on tourism, leisure and cultural industries, and small business growth and development.
Wales	Strong emphasis on technology and innovation. Lower scores overall.

Analysis of the major roles of further education colleges by college type suggests that the pattern of activity between incorporated FE colleges and tertiary colleges is very similar. Sixth form colleges follow the same distribution of effort, although with generally lower levels of activity. Among agricultural colleges, all the scores are a little higher, and there are some different emphases, such as conserving the natural environment and improving productivity.

Later in this report we look at the new and emerging roles of further education colleges.

A stakeholder approach

To examine colleges' stakeholder roles, we first asked about their position in the rank of local employers (including the public sector). We wanted to know what impact the colleges as employers might have in their local economies as a basis for assessing the scope for an enhanced role. The main results are as follows:

FE colleges surveyed as employers in local economy

College in top 5	32
College in top 10	23
College in top 15	6
College in top 20	6
College below top 20	31
(Nil return	4)

The results suggest that more than half of colleges are in the top ten employers in their local economy. This is indeed noteworthy. A large number of the sample (31) say they are below the top 20 local employers. There are no real surprises here, given the large number of small sixth form and art colleges in the sample. However, only 16 of the participating colleges are large by college standards, 45 are medium-sized, and 41 small. About 16 of the smaller and medium-sized colleges are in the top 5 employers, and a further 23 are in the top 10. This suggests that even smaller colleges can be significant employers within their local economies, in both absolute and relative terms.

We asked the colleges about their local purchasing activities, to get an idea of their role as purchasers and consumers of local products and services. A summary of the results is as follows:

Colleges surveyed as local consumers

Value of local purchasing	No of colleges
More than £2 million	11
£1–2 million	15
£500k to £1 million	14
£151k to £500k	21
£51k to £150k	17
Less than £50k	11
(Nil return	13)

Details on local purchasing revealed a similar range and pattern around the country, with an emphasis on perishable and consumable goods, and a wide range of professional services.

We also asked colleges about any 'non-educational' companies trading from their premises. This question gave some insight into both the 'internal economy' of the college communities, and the range of companies that trade happily from a college premises to a wider market. The major trading activities of the colleges themselves were consultancy (75), commercial property (12), retail (20). The major third-party companies trading from college premises included: sports and leisure facilities, software design and production, TV and video production, conference centre, beauty treatments, and restaurants.

A third important role of colleges as stakeholders in their local economies concerns support for community development initiatives. These roles include:

- housing voluntary and community organisations
- franchised courses in voluntary and community organisations
- capacity building/organisation development for community organisations
- training/guidance/outreach partnerships.

The role of colleges with voluntary and community agencies is discussed below (see Chapter 3).

Our survey reveals that FE colleges play a significant role as economic agents in their local economies. However, there has been little feedback on how colleges have sought to utilise their own economic strength to further local economic development. This question will be addressed in Chapter 3. One important point is the extent of FE's contribution as an employer, and its potential to capture substantial employment opportunities from certain kinds of economic development. Further education might well be centrally placed in the supply chains that link with major initiatives such as urban regeneration and inward investment.

FE as a strategic partner

The third aspect of our survey concerned the role of colleges as strategic partners in economic development activity. In this aspect of the research we were attempting to identify whether the partnership roles that FE colleges were playing were consistent with their broader contributions to the process of economic development.

We asked colleges which partnerships offered them the best scope for their involvement. Those most commonly suggested include:

- TEC education and training forums
- LMI forums
- RITTS steering groups
- Business Link
- enterprise agencies/boards
- regeneration partnerships/boards
- development partnerships
- EU funding consortia
- education business partnership
- chambers.

In many cases, partnership roles relate mainly to aspects of economic development where the college is already substantially involved as a service provider. This is true of LMI consortia, technology strategy groups, and Business Link Partnership boards. Note that several colleges are active members of local chamber of commerce boards in their own right.

Many colleges report problems in gaining 'a seat at the table' at some of the larger partnerships and boards, especially those that disburse funds or generate longer-term plans for a locality. TEC boards and EU fund monitoring committees were cited as especially difficult, as were longer-term regeneration partnerships or regional/local economic strategy forums. Essentially, FE colleges are seen as 'contractors' rather than 'partners' to such groups. In some areas these issues have been resolved satisfactorily through negotiation. In others they remain unresolved.

Funding the economic development activities of FE

Given the role of additional funding throughout the system as an incentive for organisations to be involved in economic development, we investigated the impact of this factor in the FE sector. We asked colleges what sources they commonly used to develop their roles in economic development activity. Their responses are summarised below.

College sources of economic development funding

Competitiveness Fund	73
TEC funds – development	95
TEC funds – programmes	75
City Challenge	16
Millennium/Lottery	12
SRB	53
UDCs	2
Task forces	4
Business sponsorship	31
ESF	80
ERDF	36
Other EU	35
Other non-EU	12

Total sample = 102

The major areas of interest here concern the high scores for the European Social Fund, and other EU funds, including the regional development fund (ERDF). Given that the ERDF is restricted to the EU-assisted areas, this represents substantial additional support won for the colleges within eligible areas. Equally interesting is the relatively high level of support from the Single Regeneration Budget Challenge Fund. This suggests that colleges are successful in at least some partnership-run regeneration initiatives.

In general, sixth form colleges scored lower on each of the measures of external funding, but they were by no means unrepresented in the use of external funds. Colleges across the full range of sectors, regions, and local economic environments report that external funding continues to expand, even where particular funds have since ceased. Some interesting regional variations emerged:

Regional variations: sources of funding

North West (including Merseyside)	Lower scores on TEC funds, high on ESF.
North	High scores on ESF and ERDF.
Yorkshire & Humberside	Very high use of SRB, ESF, ERDF by colleges.
East Midlands	High scores on SRB and ESF, low on ERDF.
West Midlands	High scores on ERDF, otherwise at national levels.
South East	Sub-sample too small.
East	Very high scores on ESF and ERDF. Low scores on SRB.
South West	Slightly lower scores on all funds.
Greater London	Low scores on ERDF, otherwise at national levels.
Wales	Very high scores on ESF and ERDF (note there is no SRB in Wales).

A clear, if small, inference from these regional analyses is that funding is a catalyst to developing additional roles in economic development. Further education colleges have clearly been pro-active in taking advantage of

sources of funding available in their locality This tends to lead to wide disparities between colleges from different localities related to availability of certain funds.

For example, colleges in areas receiving EU structural funds assistance through ERDF are likely to develop a wider range of economic development activities, and may have the opportunity to develop capital facilities faster than those not eligible for structural fund support.

In all cases, external funding is accessed by competitive bidding. This places a major emphasis on the college's capacity to obtain information about the funds, to design and develop appropriate projects and programmes, to deliver the objectives, and to prepare successful bids. This capacity varies enormously from one college to another, and often requires some 'front-end' investment before any positive results accrue. The willingness of colleges to make such initial investments, and the potential for collaboration between colleges on external funding, are critical to developing an external income stream for economic development.

Partnership

The enormous importance placed on partnership working – to overcome fragmentation in economic development, as well as to set objectives, define visions and aspirations, and mobilise resources – called for a more detailed look at FE's role in partnerships.

Our initial supposition was that the extent to which FE colleges were involved in local and regional partnerships would be a barometer of how well their potential roles in economic development had been articulated and achieved.

We looked at three types of partners for FE colleges – employers and businesses, non-FE agencies, and other colleges – at local and regional levels.

At local level, a wide range of partnerships now exists within and between colleges, in their work with employers, and in their work with other agencies engaged with economic development. At regional level, however,

partnerships are patchy. This is reflected in the difficulties that FE colleges have had in joining the wider strategic partnerships cited above. Many of those we consulted and surveyed pointed to regional organisation of FE colleges as a critical arena for development, to create a regional network of colleges that could work collectively with other organisations. Compared to TECs and local authorities, FE colleges are clearly behind in this respect.

Among existing partnerships between colleges at regional level, the majority are linked around specific funding opportunities, shared technology, or shared data/intelligence. Those most frequently cited are:

- Competitiveness Fund consortia
- EU funding groups
- TEC liaison group
- relocation services
- IT consortia
- telematic linkages
- distance learning consortia
- sub-regional FE forums
- LMI consortia
- website partnerships.

These relationships between FE institutions at regional level are an important base from which to cultivate a wider range of collaborative working agreements. It is an important opportunity for colleges to establish regional partnerships with the longer-term aim of promoting the role of the colleges in economic development and managing a wider agenda of collaboration and specialisation. Colleges need to collaborate more effectively to 'place' further education more clearly within the economic development process.

NB: At the time of the research, the issue of government withdrawal of funding for a large proportion of external franchised work was preoccupying many colleges' attention. For that reason, the researchers specifically excluded this issue from the research, aware that others were dealing with franchising in more detail. However, franchising remains an important way in which colleges develop commercial and collaborative relationships with a range of other partners.

Partnerships between colleges and the private sector

In many cases where FE colleges work directly with businesses and employers, these are bilateral partnerships with commercial dimensions, rather than strategic partnerships attempting to steer the economic development process. First, we asked how many employers colleges work with each year in a number of contexts. The answers ranged from 7 to 3,720! Clusters of colleges work with more than 1,000 employers per year to deliver their contribution. Others have very little employer involvement.

We asked the colleges more precisely the type of activities that engaged them in working directly with business. They reported as follows:

College activities in partnership with business

	No of businesses per annum				
	1 – 50	51 – 200	201 – 500	501 to 1000	1000+
Training	25	24	24	11	8
Work placements	15	37	26	8	6
Consultancy	68	12	-	-	-
Research	63	2	1	-	-
EBPs	60	14	2	1	1
Planning	58	8	2	1	-
Technology	47	16	5	1	1
Networking	38	19	13	2	1

These figures appear to bear out an earlier proposition: perhaps further education is the part of the public sector nationally with the greatest private sector interface of a developmental nature. Certainly, the figures provide a snapshot of the different ways in which further education works with the private sector.

The number of company-sponsored training places delivered by each college ranges between 6 and 15,000! Again, there is a sense of wide disparities in the level and kind of activity undertaken across the sector.

Finally, we questioned evolving FE interaction with the private sector, especially regarding the requirements of the knowledge economy. The responses showed further education involvement in:

Supply Chain Development	10
Distribution Chain Development	2
Joint Ventures Facilitation	15
Inter-firm networking	22
Exporting	11
Importing	1
Technology Transfer	26
Company R&D	17
Small firms consultancy	47
Downsizing/Redundancies	15
New production/service processes	16

More than half of the colleges had attained the Investors In People (IIP) kitemark:

Attained IIP	55
Working Towards IIP	41
Not involved	1
(Nil return	5)

Colleges' roles in IIP delivery include:

Consultant	27
Trainer	64
Advocate	27

We conclude that FE colleges can be a major resource for business. They represent an exceptional basis from which to develop a set of products and services for the business community, based on HRD requirements at core, but encompassing a wider range of interventions and support. Clearly, some colleges are well ahead of others in this respect, and there is a need to build up a more comprehensive capacity to market and deliver services, if such roles are to be recognised regionally and nationally.

(See note on franchising, page 42.)

Chapter 3

Unlocking the potential

Emerging roles and expanding activities

What do colleges think will help to expand and develop their roles in economic development, at the level of both partnerships and activities?

In terms of partnerships and working relationships, the colleges suggested that, to expand their roles, the top four organisations to work with more closely are:

Employers	92
TECs	77
Local authorities	71
Other FE colleges	51

While this result reflects the views of colleges directly, our consultation with other sectors suggests that partnerships between colleges are currently much more important strategically, especially in view of the general move towards regional development programmes.

We asked the colleges which sorts of economic development programmes offer scope for an extension of colleges' roles:

	Good or better
Regional economic development programmes	43
Urban regeneration	32
Small business development/growth	56
Local employment strategies/TWPs	48
Inward investment programmes	28
European integration/enlargement/EMU	19
Modernisation of manufacturing	35
Technology and Innovation initiatives	51
Local and community-based economic development	61
Housing estates renewal	18
Cultural, sporting, leisure	58
IIP/Social Chapter/quality standards	40

Clearly, local and community economic development, small business development, cultural, sports, and leisure industries, technology development, and diffusion and employment programmes are the favourites to help expand the role of further education. These answers broadly reflect colleges' perceptions of their existing strengths and capabilities. However, there are significant regional variations.

Regional variations: perceptions of strengths

North West (including Merseyside)	Housing estate renewal scored highly.
North	Regional economic development scored highly.
Yorkshire & Humberside	IIP/Quality Standards/Social Chapter scored highly.
East Midlands	As national trends.
West Midlands	As national trends.
South East	Survey sample too small.
East	Regional economic development, modernisation of manufacturing, and IIP/Social Chapter/Quality standards score highly.
South West	As national trends.
Greater London	Leisure and cultural industries score highest.
Wales	Inward investment scored highly.

These regional emphases reflect niches that colleges have managed to penetrate as much as they reflect any wider comparisons.

FE and regional development

While nearly all colleges think that other activities are more likely to have scope for better further education involvement in economic development, many feel that regional development programmes would be an important new dimension to their work. We asked FE colleges specifically whether they saw regional development as a strategic management issue: 79 answered 'yes'; 14 'no'.

The comments we received during the consultation phase suggest that, in fact, regional development is a critical issue, but that it is difficult for colleges to know how to engage with it. In some regions, colleges have been excluded from the consultation meetings on regional development agencies by their regional Government Offices, and are unable to contribute to the discussions about RDAs. This may reflect a wider point, that

FE colleges may be disadvantaged in processes that the regional Government Offices oversee because the FEFC – unlike TECs – is separate from the GOR system.

Measuring the economic impact of FE

Economic impact studies

Several attempts have been made to assess the economic impact of further education. In some cases individual colleges have volunteered to assess their impact within a specific local economy (six colleges in our sample had done this). In other cases, an economic impact model for FE was developed either as a basis for drawing a wider set of conclusions from local research, or as a national analysis, as in Scotland (McNicoll (1994)).

Economic impact assessments are a very useful tool, but they are an inexact science. Their aim is to try to 'model' a particular institution's impact on the economy. The model is based on assumptions about the way that those associated with that institution make purchasing and investment decisions, given the national trends and the local environment. The value of such a model is that it can help to explain an institution's overall net benefit to the economy, and the comparative economic impact of different options for how the institution might develop. This is extremely useful if one is arguing for public sector investment or trying to identify the benefits to the public of private sector investment.

Our study was interested in whether economic impact analysis or assessment had been used to support FE colleges' increased involvement in economic development. We concluded that this had not happened in any formal sense. There is, however, a strong sense that the economic impact of further education underpins at least some of colleges' thinking in regeneration areas and in areas where regional development is already active.

There are many different economic impact models that colleges might use. Importantly, some models emphasise employment impact, whereas others focus simply on income. All of them involve modelling the role of the college in the local economy through assessing:

- total college direct expenditure in the local economy
- the disposable income of college employees in the local economy
- the net local expenditure of college students
- expenditures made by visitors to the college from outside the local area.

Once the aggregate of estimates is identified, a 'multiplier' is applied to the whole figure to represent the expenditures' secondary and subsequent impact in terms of its 'reinvestment' within the local economy. For example, the locally-disposed income of the staff of service companies that service the college, its staff and students – such as restaurants and stationery shops – are particularly included as an aspect of the multiplier.

The opposite concept of the 'multiplier' is 'leakage', where the economic benefit in terms of jobs or expenditure falls outside of the area being measured. In this type of model, areas where fewer economic benefits are realised locally are seen as more 'leaky' than others. For example, a local economy within a big city is often more leaky, due to travel-to-work patterns. Individuals who draw their salary from the area being measured, but who live outside it, are likely to spend – or make 'reinvestment decisions' – in the area where they live rather than where they work. On the other hand, a small time economy with a good range of suppliers and a residential base may be less leaky and therefore have a higher multiplier in terms of local economic impact.

Only a very small number of colleges have undertaken any economic impact analysis. This contrasts sharply with higher education institutions, many of which have undertaken extensive economic impact analysis in recent years as part of their claims on resourcing. Community colleges in the USA and TAFE colleges in Australia have been subject to various economic impact studies. Secondly, by far the most extensive study of the economic impact of the further education sector in Britain has been

undertaken in Scotland. The study, supported by Scottish Enterprise (Scotland's 'regional' development agency) maps the economic impact of FE on the Scottish Economy:

> *Every £1 million of FE sector output created £1.43 million of total Scottish output, 45.5 equivalent Scottish jobs, and £1.06 million of Scottish household income. Of its total impact, 47.3% of output, 28.2% of income and 44% of employment was realised outside the FE sector itself. The FE sector had positive effects on all Scottish Industries, all household income classes and all occupational groups.*
>
> *Prof I H McNicoll (1994)*

The conclusion from the scottish Study is that further education has a very broad range of beneficial economic effects which are felt across a wide span of industries and income groups, rather than being narrowly focused in one or two places.

At City College Norwich, an economic impact model was constructed to show that the college's beneficial impact on the city economy was about £20 million each year:

> *. . . the estimation of £20,000,000 shows clearly what a significant economic contribution the college makes to its community. Sharing this type of information with the indigenous population and the local business community, may well have a positive benefit in encouraging collaborative ventures, and demonstrate to the local community and businesses that investment in the college is also investment in their own economic well-being.*
>
> *Graham Peeke (1993)*

Clearly, economic impact analysis is not the top priority for some FE colleges making their initial steps in economic development terms. However, for those who are already becoming more active in economic development activity,an economic impact analysis might be a very useful tool in making the case for both investments and a wider partnership role.

Regional economies and further education

Implicit in our assessment of colleges' roles in economic development was a desire to look carefully at the regional dimension of their work. We present here some highlights of regional variations.

Wales

The Welsh economy has been the subject of concerted regional development since the creation of the Welsh Development Agency some years ago. Serious industrial decline has been tempered by a robust inward and indigenous investment programme. Unemployment remains stubbornly high in some areas, and there is a drive to reach the skills requirement of new industries and locations. There are five Welsh colleges in our sample.

Consistent with a co-ordinated regional development programme, the Welsh colleges show an interest in innovation, technology, and enterprise development. They also see inward investment as a key driver of change, with continued potential for enlarging the role of further education. Our consultation meetings suggested that inwardly investing companies recognise the valuable contribution of further education colleges very directly and are willing to form joint ventures and other agreements with colleges.

North West (including Merseyside)

The North West is an economy in transition. It has yet to emerge fully from industrial restructuring which has shed significant numbers of jobs during the past 20 years. It is has not yet caught up with changes in the national and international economies. Small firm formation and survival rates are low, and the region is dependent on a smaller number of large firms. Our 13 North West colleges demonstrate an emphasis on programmes to modernise the economy, focusing on technology, innovation, productivity and efficiency. There is a strong concentration on tackling the large numbers of unemployed people on housing estates – a legacy of industrial decline.

North

The decimation of the industrial base of northeastern England has been mitigated by the will to redevelop the region. During the past few years, significant successes in attracting foreign company relocations have been the main source of new investment, bringing with it a need for regional development efforts based on the establishment of supply chains and development of skills.

Our five colleges recognise this, and see the regional development entities in the North as key figures. All the colleges rate regional economic development programmes as a key priority. Their own work focuses on skills and supply chains required to embed the inward investment effectively.

Yorkshire and Humberside

This diverse region shares features of both the industrialised metropolitan areas of the south and shire counties to the north and east. Its older industries have all collapsed and new enterprises are developing along with a producer services base and a strong focus on inward investment.

Our 12 college sample from Yorkshire and Humberside reflects the diversity of approaches across the region, in terms of economic development activities and the engines of growth. IIP/Quality Standards/Social Chapter scored highly as a source of expanding the further education sector's role in economic development. This seems to reflect the colleges' main HRD niche.

West Midlands

The West Midlands is still a major manufacturing centre, with a strong inter-EU client base and a continuing programme of modernisation in key sectors keeping the region competitive. Urban regeneration is a key objective. Promotion of the area for visitor and convention business is also a priority. The college sample reflects a keen interest in urban regeneration

and tourism-related industries, reflecting the modernisation objectives of the area and the continuing need to diversify the economic base towards visitor income related to business travel.

East Midlands

Traditional employment in the region was badly damaged by the decline of coal, steel, footwear, textiles, and engineering. A strong base of small and medium-sized companies have fuelled redevelopment of the region along with key advantages in distribution, communications and transport.

Our sample colleges reflect a strong interest in small business development, urban regeneration, and programmes to help the unemployed. This is consistent with the transitions in the region, which sees the need for smaller companies to grow and the poorer areas to revitalise.

East

Growth continues in hotels, catering, finance and business services, and telecommunications. Continued decline is expected in agriculture, utilities, transport, and communications. Inward investment programmes stress IT and computing and service companies, especially around Cambridge.

Our college sample reflects a strong interest in the HRD investments of local firms, including inward investing companies, in small business development especially through supply chains, and in helping the unemployed to enter the labour market.

South West

The region continues to expand its role as a third specialist in finance and business services with strengths in telecommunications and manufacturing. Company relocations into the region have been strong and have focused around the cluster of urban areas in Bristol, Gloucester, Cheltenham and Bath, as well as Bournemouth and Poole.

The region's diversity is reflected by our college sample. There is a strong emphasis on helping the unemployed to enter work, which is essential given the considerable population migration alongside the office relocations. Development work with small firms is also key. Enhancing regional productivity is another focus.

South East

The South East economy is held to be the most prosperous in the UK. Yet serious problems of unemployment and industrial restructuring undercut its economic performance in certain areas. Although the region's aggregate performance is strong, analysis of GDP figures, for example, show Kent and Essex 8% and 18%, respectively, below the EU average. There are 14 South East colleges in our survey sample, but we are unable to deduce strong indicators of FE activity due to the limited responses received on a number of questions.

Greater London

The global city region of Greater London continues to be the national leader in finance and business services, tourism, commerce, logistics and distribution. Technology, research, and higher education are also strengths. Persistent high unemployment and urban deprivation in parts of the capital are a focus for redevelopment activity.

Our London colleges show all-round interest in the range of economic development activities, particularly working with unemployed people and community organisations. There is strong interest in cultural industries, leisure, and tourism as key areas for FE sector involvement, and there are collaborations between colleges in parts of the region, reflecting the density of the task and the proximity of the colleges.

The partners' perspectives

We asked a range of representatives from outside the FE sector to summarise their view of the potential and actual performance of FE colleges in addressing local and regional economic development priorities. The breadth and diversity of the responses has provided a much wider perspective from which to assess FE's contribution. The range of responses includes the following:

- The potential contribution of FE is very broad. It can include collaborating on local, sub-regional, and regional economic strategies. It can enhance the skills and employability of the potential and actual workforce. It can raise the capacity of (especially) small and medium-sized enterprises to become and remain competitive in the context of the global market place. It can serve as an exemplar local employer in the context of local and regional strategies.

- We are in the reality of the 'knowledge economy', where creativity, communication, flexibility, IT literacy and team working are key determinants of success. In this context, FE cannot be allowed to be the poor relation of our education system.

  Product design success depends on the use of critical technologies to capture emerging markets. Companies and institutions must therefore build new value chains in the competing clusters, be they opto-electronics, biotechnology, education, or health care. Cluster development programmes have become a popular means to encourage and support regional economic development. Any region is likely to be made up of some leading edge industries which present the best opportunities for continued specialisation and growth, alongside other industries which show few opportunities for growth. Supportive suppliers, service, research and training companies tend to emerge around the growing industries, which are dependent on the success of the major local firms. As the growth of the industry takes shape, a 'clustering' effect can be identified, in which the leading firms, together with their suppliers, related services and relevant infrastructure, become a powerful magnet for further inward and indigenous investment.

In this context, regional economic development depends crucially on enabling the development of the regional clusters through collaborative work between public and private sectors, education, research and training organisations, and on strengthening the supply chains that enhance the local benefits of such industries through employment, regeneration and local purchasing.

Cluster development programmes require strong skill and knowledge dimensions which invest in the full workforce. A fully-engaged FE sector will be required.

The role of IT in the new knowledge economy risks the increasing isolation of groups and locations from the economic wherewithal around them. Working with such groups on the skills, and attitudes and practices of the new economy must fully engage the FE sector.

- FE colleges work in the margins of a particularly large number of organisations. Colleges have to find their place in the numerous local networks of public, private and voluntary organisations. This is not optional if a college is to embed itself and thrive. That set of relationships can be the basis for the strategic partnerships needed for economic growth and development.

- Colleges are an extensive network of local human resources development centres. They are able to respond rapidly to the needs of learners, employees and employers, to embed the benefits of inward and indigenous investment by raising the skill level of the workforce and the management competencies of local supply chains. However, regional industry policy rarely involves HRD. No government department has a proper interest in regional HRD strategy, and regional supply chain initiatives have neglected people development. Public sector post-16 education and training is characterised by non-sustainable partnerships premised on challenge funding. The education and training sector operates within 'silos'. Its own performance indicators are not linked to economic strategies or benefits. FE itself also lacks extra-organisational networking skills, or 'know-who'.

- Colleges can contribute to economic regeneration in five very specific ways:

- raising achievement to high levels across diverse socio-economic areas
- providing a diverse range of vocational qualifications
- engaging comprehensively with emerging local and sub-regional economic strategies
- partnerships with higher education, employers, local government, voluntary sector, other colleges, and schools
- underpinning social regeneration by supporting community development, capacity building and community brokers acceptable to the excluded, isolated, or disaffected.

- The unique strength of the FE sector is the diversity and comprehensiveness of what it can contribute. No other sector or agency can deliver such inclusiveness. It is best delivered through larger comprehensive institutions. Further education's associated weakness is that it is a 'Jack of all trades' in contrast with the expertise of the niche operator. Progress is hampered at present by two main factors:

  - the weak and limited recognition by other agencies of FE's role in regeneration
  - the absence of a strategic framework in which colleges can operate.

  Other agencies, such as TECs, have published regional economic frameworks and strategies which have helped the further education sector to articulate its roles. In this context, FE can contribute to, and benefit from, the framework.

- FE is in a unique position to ensure that people living and working in the next century are equipped with skills, capabilities and know-how to prosper and to concentrate their efforts on the economy.

- FE's primary purpose is to contribute to the skills need of the economy. Indeed, with multi-national companies able to source their products almost anywhere in the world, local SMEs are part of an international economy. The capacity of the local economy to create the supply chains of inward investors is the major determinant in the decision on where to locate a new plant. When British Airways announced a major

investment package in South Wales several years ago, they stated publicly a primary reason for relocating was the capacity of the FE system to cope with the skill requirements of the new investments.

- At its best, FE is adept at forming networks and partnerships, and joining existing ones, to maximise the use of shared resources. Both supply and demand side skills needs are often met by a college forming a training consortium, and reducing the cost of training for local firms. In perhaps every local economy, local and regional colleges collectively are the major providers of HRD and are thus well placed and practised to advise on strategic and long term training provision.

- New SMEs are created continually in the form of community businesses, community enterprises, and cultural industries. Further education's community education experience positions the sector to help these burgeoning businesses. Colleges, working in partnership with other economic regeneration agents, provide participants in the local economy with greater access to resources for community and economic development.

- FE has a long and robust history of delivering vocational skills education and training to local business and residential communities. It operates with a strong sense of its own region and with a developed sense of local need. It provides appropriate skills for local labour markets, from basic entry skills to specialist vocational training and higher skills training. It occupies a pivotal role in the knowledge supply chain, and provides:

    - educational progression for those failed by the school education system
    - flexible delivery mechanisms to meet local employers' skills demand
    - progression routes into higher education
    - (at times) partnership delivery of HE programmes.

  FE has always played a key role in local economic development as:

    - a developer of the local skills base to meet local need
    - a purchaser of goods and services from the regional economy

- a labour-intensive industry with a range of manual, technical, secretarial, and professional jobs.

Increasingly in areas of industrial and rural decline, its employment role is crucial to local economic survival. The wide range of its work places it in a key position to develop active partnerships for local knowledge-based and community-based economic development.

- In urban areas, colleges are often among the few organisations with an explicit city-wide, or metropolitan, mission. Schools are often locally focused and universities nationally and internationally driven. Colleges are in a synergistic relationship with local authorities and local employers. Further education students comprise both the actual and potential local labour force, and are a large segment of the local electorate. It follows that colleges, employers and local government are all 'in it together' at the metropolitan level.

- FE colleges can identify and pick up the people that other institutions have left behind. Further education knows where to find them. It is relatively unconstrained in identifying how it can assist people and businesses. It is resourced with much better IT than many inner city agencies. FE colleges are hungry for recognition and resources, and are therefore highly motivated to address new economic imperatives and social needs.

- It is an exciting time for further education. New opportunities are opening up because FE is well placed to respond to requirements of the new policy era in terms of: value-for-money expansion of vocational education and training provision, the creation and retention of new jobs at the local level, and regional strategies that integrate HRD with wider economic development.

- Further education in the UK shares many issues with FE in Europe, and leads in many areas. In Europe, further education is not yet a single industry and has not addressed the changing economy and the demand for new learning and HRD strategies. However, FE in Britain is less integrated with the policy and strategy of local, regional, national, and international networks and forums. This means that its voice is not heard and it has not yet taken on the leading role it could play in the EU.

- Further education is critical to social regeneration, especially to people by-passed by other strategies and programmes. Black and minority populations, for instance, rely heavily on FE as the route by which they are most likely to succeed in ascending the occupational ladder. Their success, in turn, affects whole communities and localities, so that FE becomes a critical tool of social regeneration.

We asked a group of representatives from a wide range of agencies to work with us on understanding how FE can best contribute to four aspects of economic development which we knew are of interest to the FE sector itself. These are:

- enterprise
- regeneration
- employment
- regional development.

Their views can best be summarised as follows.

Enterprise:

- FE's role in supporting small to medium-sized businesses is at the heart of their enterprise role.
- Supply chain development and brokerage is a key area where FE can add value.
- Partnerships are critical to success due to SMEs' wide range of needs.
- Resources are developing rapidly within FE and other agencies currently.

Employment:

- Employability is the key arena for FE activity.
- It provides the link between labour market responsiveness and the motivation of individuals.

- FE colleges as employers are key to sustaining inner city and rural labour markets.

Regeneration:

- As employers, purchasers, developers, and landowners, FE's role as stakeholders is becoming more critical.
- FE must intervene in labour market trends in regeneration areas, not just follow them: long-term skill enhancement can lead spatial regeneration, or the development of land resources.
- The 'people' role in regeneration is a core focus for FE.
- Regeneration is impossible without people as employees, residents, consumers, managers, political and civic leaders, and entrepreneurs.
- FE centres of excellence can anchor major regeneration initiatives.

Regional Development:

- FE's capacity for strategic management exists, but may need to be strengthened.
- FE can contribute to RDAs, but in what guise?
- The strategic roles of FE need to be better exemplified. Collaboration among colleges at the regional level needs to be prioritised.

Summary

Our initial research has produced a much clearer picture of the overall terrain. It is evident that:

- FE has a dual identity: firstly it is part of the national education and training infrastructure and, at least potentially, a national voice for particular approaches to economic development. Secondly, FE consists of a very diverse series of quasi-autonomous local and regional agencies that

put learning at the centre of a wide range of disparate roles according to local and regional economic and social conditions. There is a further education college in every locality in the nation.

Both roles can be addressed and strengthened. The links between them need to be better facilitated by the colleges themselves, acting co-operatively.

- Economic development is different things to different people. On the one hand, it is about demand-side interventions which boost productivity, profitability and competitiveness; on the other it is about the distribution (or capture and embedding) of economic rewards by communities, localities and regions which are otherwise on the margins. It is also about linkages between the two. It is here that FE colleges can play an increasingly important role, studiously building the mechanisms – responsive labour markets, supply chains, value chains – that create the bridges.
- In the context of the new economy, and a new government, a double shift is emerging. Both the economic dynamics of localities and places, and the system of public support to address them, are being reconfigured on a massive scale. The roles that further education can best play in economic development will be influenced by such forces of change for some time yet.

Chapter 4

Conclusions

Critical issues for FE

A number of issues are now critical to moving forward the role of further education colleges in economic development.

Economic development is seen as the wider ambit for all FE activity.

Further education's primary role of skills development is understood to be central to economic development in the knowledge economy. However, this understanding is only gradually becoming widespread. FE colleges contribute further to economic development through specialisms such as small business development, technology transfer, supply chains, and so forth. They are also both stakeholders in their local economies and strategic partners in the wider process of planning and leading development efforts.

There is some consensus about the roles FE plays, and considerable belief in the potential of colleges to do a lot more. There are also many divergent, specialist, or niche roles which colleges are developing according to local and regional circumstance.

Relations with businesses – especially smaller firms – and with the disadvantaged is the critical dimension.

Without doubt, FE colleges have the ability to work face to face with a wide range of small employers, and many large ones. This role needs to be built on. Equally, colleges are good at linking with groups that are disadvantaged and creating a ladder for them into the wider labour market.

External funding and FEFC flexibility are seen as critical resource issues.

Access to appropriate funding is a key trigger for FE involvement in economic development. Some types of economic development can be pursued with FEFC funding at the delivery stage, but there is an urgent need for investment capital to help expand the internal resources that colleges have to gear up for economic development. External funds are currently available to colleges on a highly selective basis.

Regional development, New Deal, Welfare to Work, University for Industry and Lifelong Learning are all seen as creating expansive opportunities for further education.

The new government is perceived as bringing potentially significant opportunities to further education colleges to extend their involvement in economic development. However, charting a path towards such work at the local level requires considerable investment of time to build more effective relationships: FEFC regions with Government Offices and RDAs, FE colleges regionally with RDAs, and locally with employers, TECs, local authorities, and higher education.

FE and new economic development policies

The election of a new government in May 1997 has significantly changed the policy context in which local and regional economic development is carried out in the UK. It has profoundly affected all the organisations working within the economic development system. Informal discussions with a range of non-FE agencies leads us to the following conclusions regarding key agencies, institutions and partners.

TECs

It is currently unclear what TECs will want from further education, because the wider picture remains to be clarified. It is clear that there are too many local organisations, and that there is a need for rationalisation, co-ordination and change. In this context, it is easy for any agency to feel threatened and act defensively, but this is unhelpful. TECs and other bodies must address the higher ground of what is needed and what offers best value. It requires us all to put needs and objectives of people, businesses and localities before the needs of our own organisations. Colleges, too, must be honest about what they can contribute and how, working collaboratively, they can provide the best service. In the US, community colleges are seen as economic regenerators. The potential role of FE colleges in Britain is at least as strong. TECs need to consider more carefully their role and relationship to the public sector, including further education, and redefine the partnership process to be more inclusive.

Further education does not have an effective regional or national infrastructure to address the policy dimension of these key issues and needs to develop one.

Regional co-operation on planning and specialisation is critical to creating a stronger HRD infrastructure as part of overall economic development. This will both better reflect public priorities and create the excellence that

the private sector will purchase from. The current system of resource allocation, the lack of planning, and inter-agency competition in the UK regions prevent both appropriate specialisation and coherent provision.

RDAs

The Millan Commission did not reach a coherent perspective on further education. Nor did it receive a coherent response from the further education sector to its consultations. Similarly, FE can easily be sidelined without a stronger national voice.

Regional labour markets as a whole provide a key focus for concerted FE sector action on both the supply and demand side. Further education can play critical roles in inward investment, SME development, and strategic human resources development – all key roles for regional development agencies. Small and medium-sized enterprises remain the most viable potential sources of new jobs, and FE is well focused on delivering services to them. However, the approach and interventions need to be more strategically attuned to regional development strategies and opportunities, rather than ad hoc, catch-all approaches. There are large numbers of SMEs in every region of the UK, and RDAs will need to prioritise targets and strategies carefully. Further education can contribute vigorously to required strategic planning

Labour market strategies will need to address regional dynamics and district-level needs. Most actions will be implemented at district level. FE can feed into the planning process at regional level, and can be a district level delivery agent, as well.

European Union

The European Commission is driven by concerns for regional development which is employment intensive and has a strong HRD dimension. This is critical to the EU mission for a competitive and cohesive European economy. However, the EU expects this to be a bottom-up process, led from the regions rather than from Brussels. British FE is almost invisible to

the Commission and has not brought a coherent regional voice for HRD or human capital strategies to bear on EU-supported regional development. There is enormous scope for FE to find its place in the widespread range of EU support programmes and funds, but it must articulate its role with a clearer voice. Every European country needs a regional architecture for social and economic development, and resources must be allocated in ways which support and reinforce it.

There is significant scope for the Commission to support British FE on the research and development side of human resources issues. Research and development on capital development is already well organised. FE must continue to attend to the labour market, but must also address those who are excluded and the 36% who are not economically active. Shifting labour markets are a feature of the new economy, creating enormous induction issues around Europe, and there are significant EU resources available to address the problems. FE institutions need to try to address *flows* of labour and skills, not *stocks*, and address retraining and adaptation as keys to sustainable local and regional economies.

The further education sector in Britain needs to consider addressing the Commission directly in a co-ordinated fashion on a wide range of innovations and delivery issues, not just through the national policy role of Her Majesty's Government.

Higher education institutions

The older universities continue to see themselves as national and international players. They address local and regional economies only sporadically, or only in terms of the local manifestations of niche specialisms, or global and multinational corporations. The new universities are seen much more as local and regional players with a direct interest in drawing on, and feeding into, the regional economies they serve. In this context, the new universities represent key partners for FE in their roles in economic development and need to be addressed pro-actively. However, partnerships with FE institutions are severely constrained by the lack of regional and sub-regional co-ordination among colleges.

Local government

Local authorities enthusiastically embrace the regional dimension to both governance and economic development. The re-democratisation of the economic development infrastructure is a key area in which to expand local government activities. The movement away from competitively allocated challenge funds is, at least partly, a victory for the local government lobby. Equally, local government retains a strong role in local economic development through its activities in strategic planning, land use, education, housing, transport and traffic, and environmental, as well as specific area strategies, business support, and employment and training roles. Indeed, current central government policies are likely to enhance all of these roles incrementally, and to encourage local government to resume a clearer leadership role.

In this context, further education and local government have a new and very broad agenda to work on together. Unlike the situation pre-incorporation, FE is more likely to collaborate with a wider range of local authority departments, beyond the local education authority, such as planning, regeneration, environmental and leisure services. Colleges need to attend to these relationships as a matter of urgency.

There is substantial scope and obvious merit in a continuous improvement in relationships between FE and local government. At regional level, FE will want to articulate its cause coherently with the regional assemblies (and the Welsh Assembly) when they are in place, and with the local authorities' representatives on RDAs as soon as possible.

Questions for the future

Our study has made a start in addressing an extensive series of questions on FE college involvement in economic development. Some further aspects of the issues merit further study.

FE and the Single Regeneration Budget

Our survey records extensive use of SRB funding by the 102 colleges in our sample. The creation of the Single Regeneration Budget was a process similar in some respects to the creation of the RDAs. FE's use of SRB funds implies a core role in meeting government regeneration objectives. The further education sector is an active player, and it would be useful to make comparisons with figures for the higher education and voluntary sectors. A national picture of FE roles in SRB, and the impact of SRB on all colleges would be useful.

FE and European Social Fund

Further education colleges make extensive use of ESF support. The European Social Fund has several manifestations: one is a hitherto national 'objective 3' programme managed in part through FEFC (but now regionalised). Another is a series of region-specific funds to provide the HRD dimension to regional development initiatives (objectives 1, 2, 5b).

Information about FE colleges' use of ESF Objectives 1, 2, and 5b would give us a clear picture of their roles in regional development initiatives currently, and particularly colleges' involvement in 'job creation' rather than 'labour supply' roles.

FE and ERDF and EU community initiatives (structural funds)

A further aspect of the trend towards external funding concerns the ERDF, (European Regional Development Fund) managed by GOR European Units (along with the other community initiatives). An analysis of FE

involvement in ERDF would exemplify the extent of FE's role in modernising economic infrastructure and creating regional economic development facilities, especially 'high technology' initiatives.

FE and ESF objective 3

Although 1997 has been the first year of regionalisation of the ESF Objective 3 programme in the UK, there is important information on the performance of FE colleges within the '94, '95, '96 programme periods.

A more detailed analysis of the FE slice of this national programme would be extremely useful.

FE and other funding streams

It would be useful to request the Millennium and Lottery Commissions to make an analysis of the FE roles in their programmes should resources allow. The same applies for various funds of which TECs are gatekeepers.

Surveying the perspectives of other agencies

Because cross-sector working and partnership has been a priority in the study to date, there remains an imperative to survey opinion of other agencies, including:

- local authority regional associations
- regional TEC councils
- GORs (each Directorate, including DTI, ETR, DfEE, etc)
- RDOs
- CBI regions
- Institute of Directors regions
- selected regional HE institutions
- regional voluntary sector networks
- regional TUC
- FEFC regions.

FE in Wales and Scotland and their RDAs

We want to know more about FE and regional development. Case studies about the experience of Welsh and Scottish FE with RDAs would provide the additional dimensions of their best practice and critical successes.

Conclusions

This is an interim report of our research, and these are initial recommendations. As the work progresses, these will be refined into a working set of principles for FE colleges in respect of economic development.

We begin with the analysis of the three roles of colleges in economic development which we identified at the outset: stakeholder, service provider and strategic partner.

Stakeholder

New activities

- Colleges are good at recognising their roles as employers, but could expand in these areas.
- Colleges have a less clear understanding of their role as developers and owners of land, but could expand their thinking here also.
- Few colleges have addressed their role as purchasers, neighbours, and wider corporate citizens pro-actively. This could be greatly expanded.

Organisational arrangements

- Colleges would benefit from extended networking as local businesses in their own right with chambers, business associations, Business Links and similar organisations.

Constraints

- Colleges need to research the legislative framework for activities such as local purchasing to understand what they are legally entitled to undertake.

Service provider

New activities

- Business support services are a major area for expansion of college provision.
- The New Deal is a major priority for FE involvement.
- Partnerships with higher education, post-Dearing, provide significant scope.

Organisational arrangements

- Shift resources to facilitate development of partnerships:
  - re-prioritise collaborative activities within college budgets
  - new types of staff and skills.
- Shift the ethos of FE away from the sole pursuit of teaching and curriculum excellence, towards excellence in other professional disciplines, such as business development, research and development, and infrastructure management.
- Shift how learning is supported:
  - not just classroom
  - guidance/information facilities
  - independent learning.

Constraints

- There is a lack of investment capital to build partnerships, networks and so forth, and to plan stakeholder approaches.

- Colleges need to devise new strategies for targeting and winning customers, not just local market intelligence about nascent demand.
- There is a need to overcome fragmentation in terms of multiplicity of partners and agencies. Some co-ordination is required, along with more permanent partnerships based on specialisms and client relationships.

Strategic partner

New activities

- Local market intelligence must be much more sophisticated and responsive.
- Colleges need to produce a clear map of local, sub-regional, and regional structures, to give them a useful understanding of interrelationships, and where the college fits in relation to other players.
- It is important to see competition as enhanced by collaboration.

Organisational arrangements

- New resources must be made available to build FE's capacity.
- New systems of communication are needed between further education and other partners.
- Commercial and technical clustering on human resources development would be advantageous.

Constraints

- Strategic forums are not yet fully strategic.
- There is poor communication between FE and other partners.
- There is a lack of regional collaboration between colleges.

Suggestions from consultation exercises

On a wider level, our consultation exercises identified a wide range of recommendations which cut across the various roles that colleges play:

- a best practice guide on local purchasing
- a list of principles for colleges working as corporate citizens
- guidelines for best practice in linking and networking effectively with other local players
- simple approaches to economic impact assessments
- assessment of international good practice: do institutions equivalent to FE colleges have a greater impact on economic development in, for example, Germany, USA or Australia?
- continued focus on, and helping colleges acquire a clearer picture of, what economic development is
- a survey of perceptions of perceived weakness of FE so that they can be addressed more systematically
- a reading list or 'primer' in economic development for colleges to digest
- more specific work on colleges' role in regeneration that can be used to support learning of colleges with partners
- an assessment of different models of partnership in economic development.

Key issues

Lastly, to summarise the key issues arising from the research and discussions which are not covered elsewhere, FE colleges need to:

- prioritise FE's new relationships with local government at local and regional level
- prioritise preparation for RDAs and thereafter regional assemblies
- prioritise preparation for the New Deal and University for Industry

- recognise that FE colleges already make big investment decisions and make these decisions in a more connected way
- be more proactive (with HE) in defining the agenda
- collaborate within the sector (the critical problem)
- have a unified voice at regional and national level (also critical)
- have national leadership which can negotiate on economic development policy
- be much more focused on economic development
- have greater focus and specialisation to make the contribution of FE to economic development more distinct.

And, finally

- FEFC, AOC, and college unions need to be more engaged in the processes of change.

As we have seen, we are in the midst of a maelstrom of change and consequent uncertainty. A new government offers new challenges and opportunities, and the FE sector needs to be able to respond and adapt.

The recent report of the Kennedy Committee on Widening Participation and the expected Government Paper on Lifelong Learning, for example, clearly have important perspectives on how the FE sector asserts its role at the centre of learning provision for adults in all aspects of the community. However, this should be seen as part of the economic development process and not in conflict with it.

We hope that this research has made a start to mapping out the economic development territory for further education, and that it offers some pointers to the future.

Appendix 1

The survey questions

The following sets out the full text of the questionnaire; however, the format has been condensed.

Section 1 Your college and the local and regional economy

Q1 Which broad description most closely fits the main local/regional economy in which you operate? *(please mark one box only)*

Urban 'inner city'	Suburban	Rural
Urban 'town centre'	Industrial	Coastal

Q2 Which broad description most accurately fits the immediate surroundings of your main buildings/sites? *(please mark one box only)*

Residential	Town centre	Agricultural
Commercial	Industrial	Coastal

Q3 How many FE sector colleges serve your local economy (TEC area)?

Q4 Please indicate the position of your local/regional economy against each of the following paired statements: [*on a 1–5 scale*]

business base is expanding .....business base is shrinking
successfully attracting new companies .....not attracting any new companies
successfully growing new local companies .....no new growing local companies
local companies expanding and creating jobs .....local companies restructuring and/or shedding jobs
unemployment is reducing .....unemployment is rising
population is growing .....population is contracting
FE is expanding .....FE is contracting

Section 2 Your FE college in the local economy

Q5 What are your college's vital statistics?

Annual budget in £m — Annual actual FT students

Annual FTE staff — Annual actual PT students

Properties (sq ft – internal dimensions):

owned — rented

Annual staff expenditures in £000

Annual non-staff expenditures in £000

Q6 How many local organisations/companies employ more people than the college?

1–5 — 6–10 — 11–15 — 16–20 — more than 20

Q7 What services and facilities *(e.g. catering)* does the college purchase locally/regionally?

Q8 What is the total value of 'local purchasing' undertaken by the college?

£50K or less — $5K – £150K — £151K – £500K

£500K – £1m — £1m – £2m — over £2m

Q9 What non-educational services does the college supply locally/regionally? *(Please mark as many boxes as are appropriate.)*

Retail — Commercial property

Training and/or consultancy — Other *(please specify below)*

Section 3 Economic development and regeneration in your area

Q10 Who are the major players in economic development in your locality (TEC area)? *(Please rate your answers on the scale of 1 to 5, where 1 = very inactive and 5 = very active.)*

Local government

TECs

Voluntary sector

Government offices

Regional development organisation

Universities

Chambers of commerce

Other business leadership/associations

Business Links

Enterprise agencies/boards

Schools
Banks
Utility companies
Housing organisations
FE colleges

Q11 Please describe in the boxes below the three types of economic development activity that have presented the best opportunities for FE sector involvement in your region.

Section 4 The FE college and local economic development

Q12 With which strategic activities has your FE sector college been involved? *(Please feel free to attach any examples.)*
[*1 = least involved, 5 = most involved*]

Expand economic opportunity locally
Redistribute economic opportunity locally
Manage economic growth more effectively
Improve productivity and efficiency
Conserve natural environment

Inward investment promotion and settlement
Retention of existing business base
Regeneration of run-down urban areas
Town centre management/improvements
Reclamation of derelict/disused sites/land

Improve quality of housing
Improve the business environment
Increase tourism, leisure, and cultural investments
Manufacturing and assembly expansion
Supply chain development

Technology and innovation
Diversify the industrial structure
Employment development
Improve skills base of local labour force
Temporary or subsidised employment programmes

Improve HRD investment by local firms
Help unemployed to access jobs
Small business growth and development
Increase supply of finance for businesses
Increase supply of premises for businesses

Q13 Please indicate by ticking the relevant boxes below which of the following funding streams your college has accessed for economic development activity in the past two years and enter the purpose(s) for which they have been used in the text box provided:

Competitiveness Fund
Single Regeneration Budget
Urban Development Corporation
Task Force
Business Sponsorship
European Social Fund
TEC funds – Development
TEC funds – Programmes
City Challenge
Millennium/Lottery
European Regional Development Fund
Other EU
Other non-EU (please specify)

Please enter below the purpose(s) for which funds indicated in Q13 were used.

Section 5 The FE college and local/regional leadership/partnership

Q14 Please list the main economic development leadership/partnership bodies that exist in your area and the role your college plays in them:
Leadership/Partnership body *College role*

Q15 What are the roles that the college representatives have most successfully played on such bodies ?

Q16 If your college has had any difficulty in joining or participating in partnership and leadership boards focused on economic development, please state the reasons:

Q17 If your college did experience difficulties in joining or participating in partnership and leadership boards focused on economic development (Q16), what steps did you take to combat the situation. and were they effective?

Q18 Please describe any co-operation within the FE sector across your region which has contributed to the FE role in economic development:

Q19 Please describe the roles your college plays in the following activities:

Collecting and analysing labour market information
Starting up new firms
Brokering participation of employers in HRD programmes
Providing premises for companies
Responding to inward investment opportunities
Developing community-based organisations
Renovating derelict/disused sites
Sharing facilities with private companies
Research, technology and innovation

Q20 How would you assess the college's role in each of the activities contained in Q19? *(Please rate your answers on the scale of 1 to 5, where 1 = very weak and 5 = very strong.)*

Collecting and analysing labour market information
Starting up new firms
Broker participation of employers in HRD programmes

Providing premises for companies
Responding to inward investment opportunities
Developing community based organisations

Renovating derelict/disused sites
Sharing facilities with private companies
Research, technology and innovation

Q21 If your college operates satellite services through any other organisations (e.g. TECS, Chambers, Business Links, etc) please describe them below:

Organisation *Description*

Section 6 Employers and the FE sector

Q22 About how many local companies does your college work with each year in the following activities? *(Please estimate if necessary.)*

	1–50	51–200	201–500	501–1000	over 1000
Training					
Work Placements					
Consultancy					
Research					
Education Business Partnerships					
Planning					
Technology					
Networking					
TOTAL					

Q23 How many company sponsored training places were provided by your college in the past year?

Q24 Which of the following employer-based associations does your college work with?

Chambers of Commerce	Town Centre Associations	CBI
Sector Associations	Specialist Associations	IOD
Other *(please specify)*		

Q25 How good is the interaction of your local employers with the following? *(very poor = 1, very good = 5)*

TECs	Chambers
Employment Service	Careers Service
Training Providers	Schools
Universities	Other FE sector colleges
Other	

Q26 Which of the following roles has the college played in helping local firms to achieve, or make progress with Investors in People?

Consultant	Supplier of training	Advocate
Other *(please specify)*		

Q27 Is your college itself an investor in people?

Yes *(Go to Q 29)* No

Q28 If your college is not an investor in people, is it working towards this status? Yes No

Q29 What groups of employers are the ones most successfully addressed by the college?

Q30 If your college has worked with local firms in any of the following, please indicate, and describe briefly in the box provided:

Supply chain development	Distribution chain development
Joint ventures facilitation	Inter-firm networking
Exporting	Importing
Technology Transfer	Company R&D
Small firms consultancy	Downsizing/Redundancies
New production/service processes	

Q31 How many 'non-educational' companies trade from your premises? *(e.g. travel agencies, restaurants, hair stylists, nurseries)*

0 1–5 6–10 11–25 26–50 more than 50

What is their combined approximate annual turnover ?

Section 7 Looking ahead...

Q32 Has your college undertaken any economic impact analysis of all, or part, of its activities ?

Yes No *(Please go to Q34)*

Q33 If you answered 'Yes' to Q32, can you supply a copy to FEDA?

Yes No

Q34 Overall how would you rate your college's use of external funding for economic development related activity? Is it: [*graded on a scale of 1–5*]

rapidly contracting *(1)* rapidly expanding *(5)*

Q35 Overall, how would you rate your college's role in economic development? Is it: [*graded on a scale of 1–5*]

rapidly contracting *(1)* rapidly expanding *(5)*

Q36 Have your college's international links helped to encourage a broader role in economic development ?

Yes No *(Please go to Q38)*

Q37 If you answered 'Yes' to Q36, in what ways have the links helped?

Q38 What do you see as the major opportunities for expanding the role of your college in economic development?

Closer working with TECs
Closer working with employers
Other (please also specify)
Closer working with local authorities
Closer working with other FE sector institutions

Q39 What do you see as the major barriers to expanding the role of your college in economic development?

Q40 How would you rate the likelihood of the following areas providing scope for an extension of the college's role? [*graded on a scale of 1–5, where very unlikely = 1; very likely = 5*]

Regional economic development programmes
Urban regeneration
Small business development/growth
Local employment strategies/temporary work programmes
Inward investment programmes
Further European integration/enlargement of EU
Modernisation of manufacturing
Technology and innovation initiatives
Local and community-based economic development
Housing estate renewal
Cultural, sporting, and leisure activities (e.g. Millennium)
IIP/Quality Standards/Social Chapter

Q41 What local or national policy changes would support your college to play a wider role for FE in economic development ?

Q42 Do you see regional economic development as a strategic management issue for your college? Yes No

Q43 What external support services would help your college to gear up its role in economic development ?

Briefings Consultancy Services Publications
Other *(please specify)*

Q44 Would you be prepared to talk to a member of FEDA staff as part of a telephone follow up of a sample of respondents? Yes No

Section 8 For Employer Governors ONLY

G1 How long have you been a governor of the college?

less than 1 year 1–2 years 3–5 years
6–10 years more than 10 years

G2 What size and sector of company do you represent?

No of employees

25 or less 26–50 51–200 201–1000 over 1000

Sector:

G3 What do you see as the main contribution the college can make to the local economy?

G4 How does the college understand and address the local economy? [*graded on a scale of 1–5*]

very poorly *(1)* very well *(5)*

G5 Does your company use the services of the college?

Yes No *(Please go to G7)*

G6 If you answered 'Yes' to G5, how often does your company use the services of the college? [*graded on a scale of 1–5*]

very infrequently *(1)* very frequently *(5)*

G7 How do you rate the quality of the college relationships with the following: [*graded on a scale of 1–5*]

very poor *(1)* very good *(5)*

Larger companies
Smaller companies
Chambers
TECs
Business Links
Local government

G8 What **single** change would improve the role that the college can play in encouraging local economic development ?

G9 What roles would you like to see the college playing in the local economy in future ?

Appendix 2

Colleges participating in the survey

A full list of colleges that responded is reproduced here. However, some returns were not received in time to be included in the statistical analysis (based on 102 returns). Interpretation of statistical and other information was based on close study of *all* returns.

Arnold and Carlton College of FE
Aquinas Sixth Form College
Barnet College of FE
Barnsley College
Basingstoke College of Technology
Beverley College of FE
Bexley College
Bishop Burton College of Agriculture
Bolton Metropolitan College
Bournville College of FE
Brooksby Agricultural College
Broxtowe College of FE
Calderdale College of FE
Canterbury College
City of Bristol College
Cleveland Tertiary
Colchester Institute
Coleg Meiron-Dwyfor
Coleg Powys
College of North West London
Cricklade College
Darlington College of Technology
Dearne Valley College
Doncaster College

East Birmingham College
Easton College
Farnborough College of Technology
Filton College
Furness College
Gateshead College
Gloucestershire College of Arts and Technology
Godalming Sixth Form College
Grimsby College of Technology and Arts
Guildford College of Technology
Hackney Community College
Hadlow College of Agriculture and Horticulture
Halesowen College
Hartpury College
Hastings College of Arts & Technology
Hendon College
Henley College
Hereward College of FE
Huddersfield Technical College
Hugh Baird College
Itchen Sixth Form College
John Ruskin Sixth Form College
Josiah Mason Sixth Form College
Kendal College of FE
Kidderminster College of FE
King George V Sixth Form College
Kingston Maurward College
Lambeth College
Leeds College of Building
Leeds College of Technology
Leicester South Fields College
Loughborough College
Lowestoft College
Manchester College of Arts and Technology
Merthyr College
Merton College

Merton Sixth Form College
New College, Durham
New College, Pontefract (Sixth Form College)
New College, Swindon
Newcastle-under-Lyme College
Norfolk College of Arts
North Hertfordshire College
North Lincolnshire College
North Nottinghamshire College of FE
North Tyneside College
North Warwickshire and Hinckley College
Northumberland College of Arts and Technology
Oaklands College
Oldham College
Park Lane College of FE
Pembrokeshire College
People's College (The)
Peterborough Regional College
Plymouth College of FE
Portsmouth Sixth Form College
Richard Huish Sixth Form College
Reaseheath College
Royal Forest of Dean College
St Dominic's Sixth Form College
St Helens Community College
The Sheffield College
Shrewsbury Sixth Form College
South College, Bolton (Sixth Form College)
South Devon College of Arts and Technology
South East Derbyshire College
South Kent College
Stoke-on-Trent College
Stroud College of FE
Swansea College
Taunton's Sixth Form College
Totton Sixth Form College

Tower Hamlets College
Trowbridge College
Wakefield District College
Warrington Collegiate Institute
Warwickshire College of Agriculture
West Suffolk College of FE
Westminster College
Weymouth College
Wigan and Leigh College
Wilberforce Sixth Form College
Woolwich College
Wulfrun College of FE
Wyke Sixth Form College
Yeovil College

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Acronyms

used in this publication

AOC	Association of Colleges
BA	British Airways
CBI	Confederation of British Industry
DETR	Department of Environment and Transport
DfEE	Department for Education and Employment
DTI	Department of Trade and Industry
EBP	Education Business Partnership
EMU	European Monetary Union
ERDF	European Regional Development Fund
ETR	(Department of) Environment and Transportation
ESF	European Social Fund
EU	European Union
FE	further education
FEDA	Further Education Development Agency
FEFC	Further Education Funding Council
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GOR	Government Offices for the Regions
HE	higher education
HEFC	Higher Education Funding Council
HEI	higher education institution
HRD	human resources development

IBB	Invest in Britain Bureau
IIP	Investors in People
IOD	Institute of Directors
IPPR	Institute for Public Policy Research
IT	information technology
LED	local enterprise development
LMI	local market intelligence
R&D	research and development
RDA	regional development agency
RDO	regional development organisation
RED	regional enterprise development
RITTS	regional information technology transfer schemes
SME	small to medium-sized enterprise
SRB	Single Regeneration Budget
TEC	Training and Enterprise Council
TAFE	technical and further education (Australia)
TUC	Trades Union Congress
TWP	temporary work programmes
UDC	urban development corporation

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94

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